

through the management or service contract in addition to the compensation by way of salary received directly from the insurer for their services; or

- (3) That the contract would transfer substantial control of the insurer or any of the powers vested in the board of directors, by statute, articles of incorporation, or bylaws, or substantially all of the basic functions of the insurance company management; or
- (4) That the contract contains provisions that would be clearly detrimental to the best interest of policyholders, stockholders, or members of the insurer; or
- (5) That the officers and directors of the management or custodial firm are of known bad character or have been affiliated, directly or indirectly, through ownership, control, management, reinsurance transactions, or other insurance or business relations with any person known to have been involved in the improper manipulation of assets, accounts, or reinsurance.
- (6) That the custodial agreement is not substantially the same as the form adopted by the Commissioner.

(b) If the Commissioner disapproves any management ~~contract~~, contract or custodial agreement, notice of ~~such action~~ the disapproval shall be given to the insurer ~~assigning~~ stating the reasons ~~therefor~~ for the disapproval in writing. The Commissioner shall grant any party to the contract a ~~hearing upon request~~ hearing according to G.S. 58-2-50. ~~hearing if the party requests a hearing.~~ "

SECTION 20.5. G.S. 58-67-30 reads as rewritten:

"§ 58-67-30. *Management and ~~exclusive contracts~~ exclusive agreements; custodial agreements.*

(a) No health maintenance organization shall enter into an ~~exclusive agency contract or management contract~~ agency, management, or custodial agreement unless the ~~contract~~ agreement is first filed with the Commissioner and approved under this section within 45 days after filing or such reasonable extended period as the Commissioner shall specify by notice that is given within the 45 day period.

(b) The Commissioner shall disapprove ~~a contract~~ an agreement submitted under subsection (a) of this section if ~~he finds that~~ the Commissioner determines that the agreement:

- (1) ~~It subjects~~ Subjects the health maintenance organization to excessive charges;
- (2) ~~The contract extends~~ Extends for an unreasonable period of time;
- (3) ~~The contract does~~ Does not contain fair and adequate standards of performance;